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SUBJECT: ANTICORRUPTION EFFORTS AND ACHIEVEMENTS IN
HONDURAS

REFS: (A) 02 STATE 90733
(B) TEGUCIGALPA 01811

1. This cable responds to the action requested in
Reftel.

2. SUMMARY: Over the course of the last three years,
there has been considerable activity in the battle
against corruption in Honduras, in which the government
of Honduras (GOH), civil society and the private sector
have been involved. Anticorruption efforts are a Mission
Program Plan priority for Post, and they are an important
cornerstone of U.S. diplomatic undertakings in Honduras.
As a result of these efforts, public awareness has been
heightened and the GOH has taken steps to both identify
and address the problem of corruption. While the fight
against corruption rages on, there are concrete successes
attributable to USG technical assistance and bilateral
diplomatic efforts. We provide here brief descriptions
of the various anticorruption projects and activities,
along with summary assessments of their achievements.

3. Many of the anticorruption efforts described herein
are components of various Hurricane Mitch assistance
programs funded by the May 1999 supplemental--the
projects are drawing to a close. Without the additional
funds, Post will be hard-pressed to continue work in
furtherance of its anticorruption goals. END SUMMARY.

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EFFORTS FUNDED BY INL HURRICANE MITCH FUNDS
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INL SECURITY MINISTRY ANTICORRUPTION PROJECT

4. The Public Security Ministry (MoPS) project involved
three (3) primary components--training, technical
assistance and the provision of equipment and software.
To accomplish the anticorruption initiative, the project
focused on the investigation of financial crimes, as well
as the development and implementation of a case-tracking
system. Courses were taught in investigative techniques,
report writing and interviewing methods, financial crimes
auditing and various computer skills. Hands-on technical
assistance was provided in the field. Both computer
hardware and software was donated so that investigators
and prosecutors can participate in the National Automated
Case Management and Information System (NACMIS).
Additionally, technical assistance was given to the
Financial Crimes Unit (FCU) to help them develop
specialized modules to support financial crimes in the
NACMIS.

5. As a result of the project, the FCU's ability to
investigate, prosecute and track public corruption and
financial crime cases is considerably greater. Moreover,
the GOH now has the capacity to link this computer system
with the judicial sector system. Project funding was
\$150,000 and was managed by ICITAP.

INL PROCURADOR GENERAL ANTICORRUPTION PROJECT

6. The Honduran Procurador General performs functions
similar to those performed in the U.S. by the Office of
the Inspector General and the Office of the Solicitor
General. This three-pronged project included the
provision of training, technical assistance and
equipment/software. The project focused on the
investigation of tax-related financial cases, as well as
the development and implementation of a case-tracking
system. The same types of courses as were taught in the
MoPS project were also taught in this project. As in the
MoPS project, the donation of hardware and software made
it possible for the Procurador General's Office to tap
into the NACMIS system. The benefits of the
anticorruption initiative include a heightened ability to
handle cases involving tax evasion and the capacity to
tie into the future judicial computer system. Project

funding was \$150,000 and was managed by ICITAP.

INL PUBLIC MINISTRY/IABF PROJECT

17. The Inter-American Bar Foundation (IABF) has a \$400,000 grant of INL funds (administered by out USAID mission) to provide technical assistance and training to the Public Ministry (MP--Attorney General's Office). The project focuses on strengthening the capability of the Public Ministry to detect, investigate and prosecute public corruption cases (in particular, to prosecute successfully under the recently implemented oral accusatory judicial system). The project has three components--to increase the effectiveness of the MP in the fight against corruption, to form an inter-institutional alliance against corruption and to strengthen the Citizen Advisory Council (CAC) as an anticorruption tool.

18. First, the project involved the selection of six active corruption cases for which prosecutors in the MP's Anticorruption Unit received specialized training in investigative techniques. Additionally, inter-institutional committees were formed to coordinate efforts and avoid duplication of services. Along with the MP, the Comptroller General's Office, the Directorate of Administrative Probity and the Honduran IRS participated. The goal of this training is to teach prosecutors how to develop a corruption case from the initial investigation through prosecution and trial. A broad-based interagency case-study approach is used to encourage agency cooperation. An inter-institutional alliance against corruption was formed, and a final report regarding its formation is forthcoming. The CAC (intended to make recommendations for the repeal and modification of various immunities enjoyed by public officials) has been only marginally successful. The CAC's progress is at a standstill, so alternative solutions are being pursued.

INL DIRECTORATE OF ADMINISTRATIVE PROBITY PROJECT

19. The Public Affairs Section (PAS) carried out a two-year \$150,000 anticorruption project in conjunction with the Directorate of Administrative Probity (DPA). The DPA serves as the GOH's chief ethics watchdog and performs some functions that are similar to those performed by the Office of Government Ethics. Approximately \$86,000 was spent on technology, including a digital copier, computers, printers, Oracle database software, licenses and technical support and training for DPA staff.

10. The remainder of the funding was spent on training seminars and conferences, both in Honduras and the U.S. The training and conferences focused on financial government administration, anticorruption in government and the private sector, and government ethics. PAS hosted five (5) workshops with presenters recruited by State's International Information Programs (IIP) Office of Speakers and Specialists. The speakers' areas of expertise included government ethics, anticorruption and financial oversight.

INL MIGRATION COMPUTER PROJECT

11. This \$217,000 project, currently in the contracting phase, is designed to provide computers, modems and other hardware to the GOH Office of Migration. The equipment will augment the GOH's ability to transmit migration information between offices efficiently, and generally enhance the record-keeping capabilities of the Migration Office. Moreover, the project to issue Machine Readable Passports in Honduras (funded through the 2001 INL Letter of Agreement) will dovetail with the Migration Office's new hardware, making migration and border controls in Honduras better than ever. Post anticipates that both projects will be in place before the end of FY 2002.

USAID COMPTROLLER GENERAL PROJECT

12. One of the objectives of USAID's Transparency Program is to strengthen the capability of the Comptroller General of the Republic (CGR) and promote enhanced awareness of the importance of audits in general. Several goals have been accomplished, including:

-USAID's contractor conducted training (most notably to

the Audit Unit for Projects of International Organizations), while overseeing systematic concurrent audits of Hurricane Mitch reconstruction projects.
-The Regional Inspector General certified the CGR to perform audits for U.S.-funded programs.

-A Web site for the CGR was designed (<http://www.cgrh.net/>) and assistance was given in the publication of final audit reports on the site.

-A much-needed Audit Recommendation Follow-Up System was developed in order to promote early and impartial resolution of recommendations.

ASSISTANCE TO THE NATIONAL ANTICORRUPTION COUNCIL

13. USAID's Transparency Program provides support to the National Anticorruption Council (NAC), which was created by former President Carlos Flores, reinforced by President Maduro and is chaired by Roman Catholic Cardinal Oscar Andres Rodriguez. The objective of the NAC is to develop and implement a national anticorruption strategy and action plan. USAID provided financial support for civil society events, and financed a public opinion survey about corruption, governmental integrity and accountability issues. Results were publicly presented and used as a basis for the NAC's National Anticorruption Strategy. USAID serves the NAC in an advisory role, with emphasis on diagnosing the anticorruption problem in Honduras.

14. U.S. funds for the project total \$291,665 and are managed by the United Nations Development Program (UNDP). Recently, USAID delivered a letter to the Cardinal reaffirming its support for NAC's activities. Other international donors also support the NAC, including Canada, the United Kingdom, Sweden, the Interamerican Development Bank (IDB), the UNDP and the World Bank.

USAID MUNICIPAL DEVELOPMENT PROGRAM

15. USAID supports accountability and transparency at the local level through its Municipal Development Program (MDP). The MDP installs formal internal controls on municipal accounting/management systems, trains the community to oversee the performance of local governments and their use of resources, involves citizens in decision making processes and in oversight functions, and strengthens management systems at the local level.

16. Using Hurricane Mitch reconstruction funds, Post signed a Cooperative Agreement (CA) with the Municipal Development Foundation (FUNDEMUN), under which FUNDEMUN designs and implements a strategy for social auditing to follow-up processes and activities for reconstruction projects.

TRANSPARENCY AND GOVERNANCE WORKING GROUP

17. The GOH, civil society and, subsequently, the Consultative Group for the Reconstruction and Transformation of Honduras (whose members include the leading members of the G-15), established a Transparency and Good Governance Working Group to address issues of government accountability, transparency and corruption. Its priorities include immunities laws, social auditing and the NAC.

USAID/GOH/IDB PROCUREMENT INSPECTION PROJECT

18. USAID joined with other donors to establish an \$11.5 million independent donor mechanism, which provides management oversight to the operations of the GOH's line ministries and independent GOH agencies in their implementation of Hurricane Mitch reconstruction programs. This effort is part of a larger IDB program to strengthen the Honduran procurement system. Specifically, there will be selective inspections of the procurement and contracting processes, covering technical, administrative, financial and control aspects.

OTHER USAID PROJECTS

INTER-AMERICAN CONVENTION AGAINST CORRUPTION

19. Through its Transparency Program, USAID intends to promote monitoring of the standards set forth in the OAS Inter-American Convention against Corruption (IACAC). In particular, USAID will encourage the assessment of the Honduran legal framework against the IACAC standards.

CIVIL SOCIETY/PUBLIC AWARENESS CAMPAIGN

20. USAID's work with government control entities is enhanced by effective public information campaigns, which increase citizen awareness of the importance of vigilance over the GOH's administration of public resources, knowledge about what kinds of problems to look for, and clear instructions regarding what to do if corruption is identified. Moreover, one of the objectives of USAID's Transparency Program is to develop a public awareness campaign strategy. USAID published a booklet featuring the IACAC illustrated with cartoons that relate to the Honduran experience. The booklet will soon be available for distribution.

21. USAID and the Center for the Investigation and Promotion of Human Rights (CIPRODEH) created a transparency Web site (www.e-demoKratia.org), printed bulletins called "Transluz," and presented workshops on transparency in the budget process. In 2001, the Ministry of Defense published its budget for the first time. In 2002, the GOH published the budget broken down by Ministry in a groundbreaking effort to achieve better transparency. Taken together, USAID transparency efforts since May of 2000 have totaled \$8,294,000.

MISCELLANEOUS EFFORTS AND STRIDES

A NEW MONEY LAUNDERING LAW

22. In February of 2002, the Congress passed new money laundering legislation, which took effect on June 4, 2002. The law expands the criminal definition of money laundering to encompass any non-economically justified sale or movement of assets, and strengthens the powers of prosecutors to investigate and prosecute suspected offenses. Additionally, the new law makes the financing of terrorism a criminal offense and provides for the creation of a financial information unit to track suspicious transactions.

23. Officials at the Attorney General's Office and the National Banking Commission are drafting regulations applicable to the new financial information unit. In April, the U.S. Department of Treasury sent a money laundering expert to Honduras to conduct a needs assessment for a USG-funded technical assistance package. According to the Treasury expert, funding for this project will cost about \$250,000 over two (2) years.

STOCKHOLM DECLARATION OF 1999

24. The Stockholm Declaration of 1999 as authored by the Mitch donors, includes as a goal: "Reconstruct and transform Central America on the basis of an approach integrated with Transparency and Governance." The Honduran Follow-Up Group on the Stockholm Principles (G-15) was formed by the U.S., Germany, Canada, Spain, Japan, the Netherlands, the U.K., Sweden, Italy, the IDB, the IBRD, International Monetary Fund (IMF), UNDP, the Central American Bank for Economic Integration (CABEI) and the E.U. G-15 members coordinate various efforts and programs, and the GOH encourages donor coordination.

GOH POVERTY REDUCTION STRATEGY PROGRAM

25. Transparency and accountability are becoming much more high-profile issues in Honduras. As a result, both transparency and accountability are included in the GOH's fifteen-year Poverty Reduction Strategy Program (PRSP), which contains guidelines to transform the country over the next fifteen (15) years. Notably, since Hurricane Mitch, the GOH and civil society have taken important steps to develop the PRSP in a participatory manner.

A NEW GOH PROCUREMENT LAW

26. In September 2001, a new government procurement law

went into effect. This new legislation is intended to increase transparency and reduce corruption.

A FORTHCOMING GOH CODE OF ETHICS?

127. The GOH is in the process of developing a code of ethics for public employees. Post hopes that, in fact, an effective code of ethics will be implemented--including rules regarding conflicts of interest and feasible processes for the investigation and prosecution of such cases.

OTHER PRIVATE SECTOR EFFORTS

128. There are several private sector efforts worth mentioning:

-The Honduran Council for Private Enterprise (COHEP) sends a representative to the meetings of the NAC.

-The private sector led the NAC's investigation on the causes of corruption and its prevention.

MISCELLANEOUS PUBLIC DIPLOMACY EFFORTS

129. Septel (Tegucigalpa 01876) reported Ambassador Frank Almaguer's June 21 speech given to the International Development and Ethics Association (IDEA) in which he outlined the U.S. anticorruption policies. The speech dominated the news in Honduras for days, and clearly has had a significant impact. This is the most recent of a number of public diplomacy efforts that serve the anticorruption effort.

130. There was an interactive dialogue on WHANET that dealt with anticorruption and money laundering, in which representatives from the MP participated.

131. Post arranged for an individual from the DPA to participate in the International Visitor Program on anticorruption in the government and private sector.

132. With the support of PAS, the Ambassador has become a champion of Honduran anticorruption efforts. This is the result of a multitude of public diplomacy efforts, including:

-Post regularly distributes USG policy statements on anticorruption to the Honduran press--for example, A/S Reich's speech on Latin American policy and anticorruption efforts.

-The Ambassador frequently publicly addresses various anticorruption issues (e.g. money laundering, judicial reform, transparency in governance) by way of speeches at various events, press releases, radio and television interviews and other media. As a result, anticorruption has become a popular topic for public debate and public awareness has been significantly heightened.

-Post has worked hard to convey the message that anticorruption efforts are an important component of the war on terrorism--that money laundering, arms and narcotics trafficking and government corruption all create an environment in which terrorism can thrive.

ALMAGUER